

Envision Arlington Fiscal Resources Task Group Meeting Minutes

Date: October 20, 2022 Time: 7:30 - 9:20pm

Location: FIRST FLOOR CONFERENCE ROOM - TOWN HALL ANNEX

Agenda

1. Welcome, Introductions, Announcements

Attendees:

Gordon Jamieson (Co-Chair), Heather Remoff, Janet Pagliuca, Brian Hasbrouck, Jonathan Haughton,

The group congratulated Jonathan on his appointment to the Capital Planning Committee!

Heather made the group aware of the community pick your own (fruit trees) garden established by Harvest Home of Brattle street near the bike path and recommended that we stop by soon

2. Town day review

Town day was a huge success – Many thanks to all for their participation at our booth!

3. Continuing business: Gov't primer - Financial projections - [ISD Articles - Leadership interviews not discussed]

Gov't Primer: Gordon provided Jonathan with markup for revision that Jonathan will tackle for the group

Financial projections: Gordon provided the group with copies of the following:

Comptroller's recent EOY FY22 report to Select Board. Click here to view or download the report.

Copy of current version of five year plan (provided by S. Pooler)

Copy of past 'what if' version of five year plan from our spring meeting

Energetic discussion of the Comptroller's report ensued – Top line conclusion is the Town both spent less and had revenues greater that were anticipated – All around a very good thing

Discussion included past establishment and current tiered removal of the MWRA debt shift from the tax rate – Removal was designed to help cushion the tax burden imposed by the new high school project debt costs being applied to the tax rate – Water and sewer rates now reflect the full costs of providing those services to users.

Additional points of interest – Free cash (ca. \$16M) was \$5M+ greater than anticipated due to reduced spending and increased revenues – Gordon explained the mechanics how this change impacts the 5yr plan on a year to year basis – While a good thing, the impact is less than one might anticipate

Licenses and permits – Procedural changes in ISD appear to be paying off with building (and wire) permit receipts having a collection rate of ca. 200% (twice anticipated amount) – Group will be interested in seeing whether this increase is reflected in an increase in New Growth in the next FY's tax rate.

Despite these great numbers – Override will be required to support town/school services in FY25

- 4. New business None
- 5. Next meeting November 17th 7:30PM Town hall annex First floor conference room

Long Range Financial Projection September 30, 2020

		- 1/	=1//	Dollar	Percent		Dollar	Percent	=1/	Dollar	Percent	=>/=	Dollar	Percent		Dollar	Percent
	REVENUE	FY 2023	FY 2024	Change	Change	FY 2025	Change	Change	FY 2026	Change	Change	FY 2027	Change	Change	FY 2028	Change	Change
Α.		25,221,523	25,786,207	564,684	2.24%	26,038,671	252,464	0.98%	26,293,659	254,988	0.98%	26,551,197	257,538	0.98%	26,811,310	260,113	0.98%
Λ.	ARPA	5,000,000	5,000,000	0	0.00%	20,030,071	(5,000,000)	-100.00%	20,293,039	254,900	0.90%	20,551,197	207,000	0.3070	20,011,310	200,113	0.9078
В.	Local Receipts	9,225,900	9,643,450	417,550	4.53%	9,768,450	125,000	1.30%	9,868,450	100,000	1.02%	9,968,450	100.000	1.01%	10,068,451	100.001	1.00%
C.		5,539,215	7,956,044	2,416,829	43.63%	5,107,562	(2,848,482)	-35.80%	5,107,562	0	0.00%	5,107,562	0	0.00%	5,107,562	0	0.00%
D.	Overlay Reserve Surplus	650,000	400,000	(250,000)	-38.46%	200,000	(200,000)	-50.00%	200,000	0	0.00%	200,000	0	0.00%	200,000	0	0.00%
E.	Property Tax	149,100,793	153,133,696	4,032,903	2.70%	157,208,618	4,074,922	2.66%	161,355,857	4,147,239	2.64%	165,415,370	4,059,513	2.52%	169,676,277	4,260,907	2.58%
F	Override Stabilization Fund	2,946,037	4,227,548	1,281,511	43.50%	12,447,882	8,220,334	194.45%	,	(12,447,882)	-	.00,0,0.0	0	-	. 55,5. 5,2	0	-
	TOTAL REVENUES	197,683,468	206,146,945	8,463,477	4.28%	210,771,183	4,624,238	2.24%	202,825,528	(7,945,655)	-3.77%	207,242,579	4,417,051	2.18%	211,863,600	4,621,021	2.23%
Ш	APPROPRIATIONS	107,000,100	200,110,010	0, 100, 111	7.2070	210,771,100	1,02 1,200	2.2 170	202,020,020	(1,010,000)	0.7770	201,212,010	1,111,001	2.1070	211,000,000	1,02 1,02 1	2.2070
••	One Time COVID impact	970,000	600,000	(370,000)	-38.14%	300,000	(300,000)	-50.00%									
Α.	•	1,030,000	000,000	(1,030,000)	-	333,333	(300,000)	30.0070									
	General Education Costs	55,724,058	57,312,461	1,588,403	2.85%	60,704,314	3,391,853	5.92%	63,660,515	2,956,201	4.87%	65,888,633	2,228,118	3.50%	68,194,735	2,306,102	3.50%
	Special Education Costs	28,103,511	30,070,757	1,967,246	7.00%	32,175,710	2,104,953	7.00%	34,428,010	2,252,300	7.00%	36,837,971	2,409,961	7.00%	39,416,629	2,578,658	7.00%
	Growth Factor	(1,379,700)	1,339,050	2,718,750	-	803,430	(535,620)	-40.00%	0	(803,430)	-100.00%	0	0	_	0	0	_
	Net School Budget	84,447,869	89,322,268	4,874,399	5.77%	93.983.454	4.661.186	5.22%	98,088,525	4.105.071	4.37%	102,726,604	4.638.079	4.73%	107,611,364	4.884.760	4.76%
Mir	nuteman Operating & Capital	6,208,487	6,425,784	217,297	3.50%	6,650,686	224,902	3.50%	6,883,460	232,774	3.50%	7,124,381	240,921	3.50%	7,373,734	249,353	3.50%
	nuteman Exempt Capital	1,739,452	1,739,452	0	0.00%	1,739,452	0	0.00%	1,739,452	0	0.00%	1,739,452	0	0.00%	1,739,452	0	0.00%
	Town Personnel Services	31,337,702	32,356,177	1,018,475	3.25%	33,407,753	1,051,576	3.25%	34,493,505	1,085,752	3.25%	35,614,544	1,121,039	3.25%	36,772,017	1,157,473	3.25%
	Town Expenses	11,839,451	12,224,233	384,782	3.25%	12,621,521	397,288	3.25%	13,031,720	410,199	3.25%	13,455,251	423,531	3.25%	13,892,547	437,296	3.25%
	Enterprise Fund/Other	3,200,418	3,304,432	104,014	3.25%	3,411,826	107,394	3.25%	3,522,710	110,884	3.25%	3,637,198	114,488	3.25%	3,755,407	118,209	3.25%
	Net Town Budget	39,976,735	41,275,978	1,299,243	3.25%	42,617,448	1,341,470	3.25%	44,002,515	1,385,067	3.25%	45,432,597	1,430,082	3.25%	46,909,157	1,476,560	3.25%
	MWRA Debt Shift	0	0	0		0	0		0	0		0	0		0	0	
B.	Capital budget																
	Exempt Debt Service	12,129,702	12,028,956	(100,746)	-0.83%	11,917,651	(111,305)	-0.93%	11,824,004	(93,647)	-0.79%	11,586,563	(237,441)	-2.01%	11,494,904	(91,659)	-0.79%
	Non-Exempt Service	7,071,174	6,904,475	(166,699)	-2.36%	6,988,314	83,839	1.21%	7,963,943	975,629	13.96%	7,309,888	(654,055)	-8.21%	7,492,635	182,747	2.50%
	Cash	3,426,277	3,685,432	259,155	7.56%	4,080,547	395,115	10.72%	3,508,868	(571,679)	-14.01%	4,545,830	1,036,962	29.55%	4,659,476	113,646	2.50%
	Offsets/Capital Carry Forward	(677,260)	(402,736)	274,524	-40.53%	(382,797)	19,939	-4.95%	(339,496)	43,301	-11.31%	(291,485)	48,011	-14.14%	(298,772)	(7,287)	2.50%
	Total Capital	21,949,893	22,216,127	266,234	1.21%	22,603,715	387,588	1.74%	22,957,319	353,604	1.56%	23,150,796	193,477	0.84%	23,348,242	197,447	0.85%
C.	Pensions	13,367,833	14,103,064	735,231	5.50%	14,878,733	775,669	5.50%	15,697,063	818,330	5.50%	16,560,401	863,338	5.50%	17,471,223	910,822	5.50%
D.	Insurance	21,772,313	23,198,079	1,425,766	6.55%	24,591,015	1,392,936	6.00%	25,882,043	1,291,028	5.25%	27,240,850	1,358,807	5.25%	28,670,995	1,430,145	5.25%
E.	State Assessments	3,911,830	4,007,101	95,271	2.44%	4,104,754	97,653	2.44%	4,204,849	100,095	2.44%	4,307,445	102,596	2.44%	4,412,607	105, 162	2.44%
F.	Overlay Reserve	1,245,690	600,000	(645,690)	-51.83%	800,000	200,000	33.33%	600,000	(200,000)	-25.00%	600,000	0	0.00%	600,000	0	0.00%
G.	Reserve Fund	1,753,178	1,898,904	145,726	8.31%	1,864,056	(34,848)	-1.84%	1,910,015	45,959	2.47%	1,956,560	46,545	2.44%	2,003,687	47,127	2.41%
H.	Court Judgments/Symmes	0	100,000	100,000	-	100,000	0	0.00%	100,000	0	0.00%	100,000	0	0.00%	100,000	0	0.00%
I.	Warrant Articles	1,310,188	1,260,188	(50,000)	-3.82%	1,310,188	50,000	3.97%	1,260,188	(50,000)	-3.82%	1,310,188	50,000	3.97%	1,260,188	(50,000)	-3.82%
J.	Override Stabilization Fund	0	0	0	-	0	0	-	0	0	-	0	0	-	0	0	-
K.	TOTAL APPROPRIATIONS	197,683,468	206,146,945	8,463,477	4.28%	215,243,501	9,096,556	4.41%	223,325,429	8,081,928	3.75%	232,249,274	8,923,845	4.00%	241,500,649	9,251,375	3.98%
L.	BALANCE	0	0			(4,472,318)			(20,499,901)			(25,006,695)			(29,637,049)		
	Free Cash	15,912,087	10,215,124			10,215,124			10,215,124			10,215,124			10,215,124		
	Stabilization Fund	3,498,511	3,668,482			3,841,851			4,018,688			4,199,062			4,383,043		
	Override Stabilization Fund***	16,675,430	12,447,882			0			0			0			0		
	Municipal Bldg. Ins. Trust Fund	693,970	700,909			707,918			714,998			722,148			729,369		
	TOTAL:	36,779,998	27,032,397			14,764,894			14,948,810			15,136,334			15,327,536		
	% of General Fund Revenue	18.6%	13.1%			7.0%			7.4%			7.3%			7.2%		
		The plan does not include any projected revenues or expenditures from the Community Preservation Act															

The plan does not include any projected revenues or expenditures from the Community Preservation Act Projected School Enrollment Growth FY 2023 - FY 2028 FY 2028* FY 2023** FY 2024* FY 2025* FY 2026* FY 2027* Actual/Proj. Annual Growth (189) 150 90 ** Actual Growth - FY23 50% PPC of \$14,601 = \$7,300 X EG

* Projected Growth - FY2024 through FY2027 Based on 50% of FY21 DESE Per Pupil Cost of \$17,854 = \$8,927 X Enrollment Growth

Long Range Financial Projection

September 30, 2020

*** Override Stabilization Fund balance includes and addition of \$2.5 million from Overlay Surplus in FY2020

REVENUE Explanation of Terms

A. State Aid State Aid as reported on the Cherry Sheets, including CH. 70 School Aid, Unrestricted General Government Aid (UGGA), and others. Assumption: 1% annual growth.

School Construction Aid Reimbursement for school construction costs from an old state program. These payments ended in FY2021.

B. Local Receipts Fees, Fines, Permits, Interest, Motor Vehicle Excise Taxes, etc. Assumption: usually increase by \$100,000 per year, but in FY24, increase by more to make up for losses caused by COVID.

C. Free Cash Free Cash is equivalent to the prior year's operating surplus. Assumption: Half of the 10 year average Free Cash is allocated as a revenue source for the operating budget and the remainder is retained as a reserve.

D. Overlay Reserve Surplus The Assessors annually release some of the reserve set aside to pay tax abatements (the Overlay). Assumption: In most years, \$200,000 is released to be used in operating budget. Some years a larger amount is released for

revaluation expenses.

E Property Tax Real estate and personal property taxes, as determined by the State law, Proposition 2 1/2 (annual increase of 2.5%, plus additions of new growth), plus amounts added for debt excluded from Prop. 2 1/2 by the voters, plus MWRA Debt

shift

F Override Stabilization Fund The Override Stabilization Fund is used as an income source. In years of revenue surpluses, money is added, in years of deficits, money is withdrawn (see comparable item in Expenses below). Fund balance is reported in reserves

section at bottom the sheet.

TOTAL REVENUES Total General Fund Revenues.

I APPROPRIATIONS

School Additions Increases to School Department Budget as the result of the 2019 Override.

General Education Costs Most of the costs of running the School Department. Assumption: A 3.5% increase in the sum of the previous year's General Education Costs plus cost increase due to in enrollment growth (Growth Factor, below).

Special Education Costs Costs of providing Special Education services. Assumption: These costs are assumed to increase by 7% per year.

Growth Factor An estimate of the increased operating costs the School Department incurs because of enrollment growth. Enrollment assumptions are presented at the bottom of LRP. It is assumed that each new student will cost 50% of State's Per

Pupil Cost figure.

Net School Budget The Total School Department Budget.

Minuteman Assessments from the Minuteman Regional Technical and Vocational High School. Assumption: Each year the actual assessment is updated and future years are assumed to grow by 3.5%.

Town Personnel Services Town employees salaries and wages. Assumption: Annual growth of 3.25%

Town Expenses Town expenses, e.g., utilities, supplies, services, repairs, etc. Assumption: Annual growth of 3.25%

Enterprise Fund/Other Offsets are amounts charged to the Water and Sewer Enterprise Fund for services provided to the Fund by Town employees. Assumption: Annual growth of 3.25%

Net Town Budget Personnel Services plus Expenses, minus Offsets.

MWRA Debt Shift State law allows the Town to decrease water and sewer rates and increase taxes by an amount representing all or part of the debt service assessed to the Town by the MWRA. Phased out in FY23.

B. Capital budget

Exempt Debt Service Debt service that has been excluded from the Prop. 2 1/2 limit and therefore is in addition to that limit. The exempt debt amount is included in the Property Tax calculation above and so income and expense are exactly matched.

Non-Exempt Service Debt service (interest and principal) on items in the annual Capital Plan paid for with tax dollars.

Cash Items in the annual Capital Plan paid for with cash.

Offsets/Capital Carry Multiple sources, such as grants, other funds (e.g., rental income from cell phone towers on town property, the Ambulance Fund, etc.), and bond premiums used to purchase capital items.

Total Capital Assumption: The Total of Non-Exempt Debt Service and Cash will equal 5% of the Town's Annual revenue.

C. Pensions Annual assessment from the Arlington Retirement Board. Assumption: Annual increase of 6%.

D. Insurance Health, property & liability insurance. Updated annually with new enrollment figures and insurance rates. Future costs include teacher staffing increases to meet increased student populations, plus 5.25% inflation.

E. State Assessments Assessment from the State for various services, including MBTA, Charter School, and School Choice. Assumption: Annual increase of 2.5% (as mandated by Prop. 2 1/2). Some Cherry Sheet aid goes directly to departments and not

F. Overlay Reserve Amount of tax revenue set aside by the Assessors to pay abatements and tax exemptions (for elderly, blind persons, etc.). Assumption: \$600,000 in non-revaluation years, and \$800,000 in revaluation years.

G. Reserve Fund Reserve fund equals 1% of revenues. It is available for the Finance Committee to pay unanticipated and extraordinary costs, such as snow removal.

H. Court Judgments/Symmes Each year \$100,000 is set aside to pay for lawsuit settlements. The rest of this item is to pay the debt on bonds the Town issued to acquire the Symmes property. Those bonds were paid off in FY2022.

I. Warrant Articles Various warrant articles for boards, commission, town celebrations, and other items that are outside of the town, school, or capital budgets. Election costs vary each year depending on the number of elections.

J. Override Stabilization Fund In years when the budget shows a revenue surplus, that surplus is appropriated to the Override Stabilization Fund.

K. TOTAL APPROPRIATIONS The total of all items under II Appropriations.

L. BALANCE The operating surplus or deficit for each year of the plan. For the current year, the number will always be zero, i.e., by law and Town policy, the final budget must be in balance.

Reserve Balances

Free Cash

An amount roughly equivalent to the Town's operating surplus and fund balance that is certified annually by the State Department of Revenue.

Stabilization Fund A fund established by Town Meeting to provide a long-term reserve. Assumption: Annual 2% growth, plus \$100,000 appropriation from Town Meeting.

Override Stabilization Fund The Override Stabilization Fund was created as a result of the 2005 Prop. 2 1/2 override. The Town makes annual appropriations to the fund until the time in which it is necessary to make withdrawals for the purposes of balancing the

general fund budget.

Municipal Bldg. Ins. Trust Ft A reserve fund established to cover extraordinary losses from damage to Town property. The existence of the fund reduces the Town's annual property insurance costs, because it allows the Town to buy insurance policies with high deductibles.

TOTAL: Total reserves.

% of General Fund Revenue Total reserves as a percent of total revenue.

	FY 2022	FY 2023	Channa	Change	FY 2024	FY 2025	FY 2026	FY 2027
I REVENUE	F1 2022	F1 2023	Change	Change	F1 2024	F1 2025	F1 2026	F 1 2021
A. State Aid	23,529,766	24,923,804	1,394,038	5.92%	26,173,804	27,423,804	28,673,804	29,923,804
ARPA	23,329,700	5.000.000	5.000.000	3.92/6	5.000.000	27,423,804	20,073,004	29,923,004
B. Local Receipts	8,873,350	9,225,900	352,550	3.97%	10.078.450	10.578.450	11.078.450	11.578.450
C. Free Cash	5,659,184	5,539,215	(119,969)	-2.12%	5,500,000	5,500,000	5,500,000	5,500,000
D. Overlay Reserve Surplus	400,000	400,000	(113,303)	0.00%	400,000	200.000	200.000	200.000
E Property Tax	143,148,226	149,250,283	5,752,057	4.02%	153,223,173	177,235,332	181,316,988	185,308,029
F Override Stabilization Fund	6,248,581		(2,874,727)	-46.01%	8,690,158	14,711,280	1,250,000	1,250,000
TOTAL REVENUES	187,859,107	197,713,056	9,503,949	5.06%	209,065,585	235,648,866	228,019,242	233,760,283
II APPROPRIATIONS	107,000,107	107,7 10,000	0,000,010	0.0070	200,000,000	200,010,000	220,010,212	200,700,200
A. Operating Budgets	1.030.000	1.030.000						
General Education Costs	52,809,670	55,724,058	2,914,388	5.52%	57,312,461	59,665,950	62,003,590	64,173,716
Special Education Costs	26,264,964	28,103,511	1,838,547	7.00%	30.070.757	32,175,710	34,428,010	36,837,971
Growth Factor	0	(1,379,700)		_	335.800	240.900	0	21.900
Net School Budget	80,104,634	84,447,869	4,343,235	5.42%	88,319,018	92,382,560	96,431,600	101,033,587
Minuteman Operating & Capital	5.184.582	6,208,486	1,023,904	19.75%	6,425,783	6.650.685	6,883,459	7,124,380
Minuteman Exempt Capital	1,610,964	1,739,452	128,488	7.98%	1,739,452	1,739,452	1,739,452	1,739,452
Town Personnel	30,232,896	31,337,702	1,104,806	3.65%	32,356,177	33,407,753	34,493,505	35,614,544
Town Expenses	11,522,254	11,839,451	317,197	2.75%	12,224,233	12,621,521	13,031,720	13,455,251
Less Offsets:	2,916,046	3,200,418	284,372	9.75%	3,304,432	3,411,826	3,522,710	3,637,198
Net Town Budget	38,839,104	39,976,735	1.137.631	2.93%	41,275,978	42,617,448	44,002,515	45,432,597
MWRA Debt Shift	1,845,727		(1,845,727)	-100%	, , ,	, , , ,	0	0
B. Capital budget	, , , ,		() /					
Exempt Debt Service	8,689,591	12,129,702	3,440,111	39.59%	12,028,956	11,917,651	11,824,004	11,586,563
Non-Exempt Service	7,347,230	7,071,174	(276,056)	-3.76%	6,904,475	6,988,314	7,963,943	7,309,888
Cash	3,959,297	3,426,277	(533,020)	-13.46%	3,685,432	4,080,547	3,508,868	4,545,830
Offets/Capital Carry Forward	(1,692,329)	(677,260)	1,015,069	-59.98%	(402,736)	(382,797)	(339,496)	(291,485)
Total Capital	18,303,789	21,949,893	3,646,104	19.92%	22,216,127	22,603,715	22,957,319	23,150,796
C. Pensions	12,635,573	13,367,833	732,260	5.80%	14,103,064	14,878,733	15,697,063	16,560,401
D. Insurance	20,212,725	21,772,313	1,559,588	7.72%	22,986,258	24,245,519	25,518,409	26,863,206
E. State Assessments	3,694,772	3,859,291	164,519	4.45%	3,953,648	4,050,364	4,149,499	4,251,111
G. Overlay Reserve	691,296	600,000	(91,296)	-13.21%	600,000	800,000	600,000	600,000
H. Reserve Fund	1,720,145	1,753,178	33,033	1.92%	1,854,426	1,846,881	1,891,629	1,936,934
 Crt Jdgmnts/Deficit/Symmes 	667,450	100,000	(567,450)	-85.02%	100,000	100,000	100,000	100,000
J. Warrant Articles	1,054,291	1,388,006	333,715	31.65%	1,338,006	1,388,006	1,338,006	1,388,006
K. Override Stabilization Fund	1,094,055		(1,094,055)	-100%	0	0	0	0
L TOTAL APPROPRIATIONS	187,659,107	197,163,056	9,503,949	5.06%	204,911,760	213,303,363	221,308,951	230,180,470
BALANCE	200,000	550,000	0	0	4,653,825	22,345,503	6,710,291	3,579,813